

**DIRECT TESTIMONY**

**OF**

**JOHN R. HENDRIX**

**ON BEHALF OF**

**SOUTH CAROLINA ELECTRIC & GAS COMPANY**

**DOCKET NO. 2003-2-E**

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. John R. Hendrix, 1426 Main Street, Columbia, South Carolina.

**Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

A. I am Manager of Electric Pricing and Rate Administration at SCANA Services, Inc.

**Q. DESCRIBE YOUR EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE.**

A. I am a graduate of the University of South Carolina where I received a Bachelor of Science Degree in Business Administration with a major in marketing. Since joining South Carolina Electric & Gas Company in August, 1983, I have held various positions within the Rate Department. In November, 1999, I assumed my present position. I have participated in cost of service studies, rate development and design, and rate evaluation programs for both the electric and gas operations. I am a member of the Southeastern Electric Exchange Rate Section.

**Q. WILL YOU BRIEFLY SUMMARIZE YOUR DUTIES WITH SOUTH CAROLINA ELECTRIC & GAS COMPANY?**

1 A. I am responsible for the design and administration for the Company's electric  
2 rates and tariffs including the electric fuel adjustment. In addition, I am  
3 responsible for the Company's electric cost allocation studies.

4 **Q. MR. HENDRIX, WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
5 **PROCEEDING?**

6 A. The purpose of my testimony is to provide the actual fuel cost data for the period  
7 March, 2002 through February, 2003, the historical period under review in this  
8 proceeding. I will also provide the computations for the projected fuel cost per  
9 kilowatt-hour of sales for the period May, 2003 through April, 2004, along with the  
10 Company's recommended fuel rate for the period ending April, 2004.

11 **Q. WHAT IS THE COMPANY'S CURRENTLY APPROVED RATE FOR FUEL**  
12 **COST?**

13 A. In Order No. 2002-347, dated May 1, 2002, the Commission approved a 1.722  
14 cents per KWH fuel component, which was in effect for the period May, 2002  
15 through January, 2003; however, the Commission in Order No. 2003-38, dated  
16 January 31, 2003, approved a 1.678 cents per KWH fuel component which is  
17 currently in effect.

18 **Q. WILL YOU PLEASE EXPLAIN EXHIBIT NO. \_\_\_\_\_(JRH-1)?**

19 A. Exhibit No. \_\_\_\_\_(JRH-1) shows the actual fuel cost and over/under  
20 recovery of fuel revenue experienced by the Company for the months of March,  
21 2002 through February, 2003, as well as the forecast for March and April, 2003.  
22 As shown on this Exhibit, the Company has an actual under collection of

1           \$21,878,559 as of February, 2003. The forecasted balance at April, 2003 is an  
2           under collection of \$22,821,179.

3   **Q. WILL YOU PLEASE EXPLAIN EXHIBIT NO.\_\_\_\_\_(JRH-2)?**

4   A.   Exhibit No.\_\_\_\_\_(JRH-2) contains the Company's fuel cost forecast and  
5           projected recovery calculations by month for May, 2003 through April, 2004.  
6           This exhibit reflects the monthly and cumulative over and under projected fuel  
7           cost collection expected by the Company using my recommendation as to  
8           maintaining the current fuel rate. My projection shows an under recovery of  
9           \$22,821,179 at April, 2003 and an under recovery of \$21,576,509 at April, 2004.

10 **Q. BY WHAT PROCESS DO YOU DEVELOP YOUR FUEL FACTOR FOR**  
11 **SCE&G'S RATES?**

12 A.   As Mr. Neely indicates in his testimony, we receive the output from the PROSYM  
13           model from the Resource Planning Department. This data is loaded onto  
14           spreadsheets along with fuel ending inventories, emission allowances,  
15           forecasted fuel prices and information regarding operations to determine  
16           projected fuel costs for March and April, 2003, as well as the twelve months  
17           ending April, 2004.

18 **Q. WILL YOU PLEASE EXPLAIN EXHIBIT NO.\_\_\_\_\_(JRH-3)?**

19 A.   Exhibit No.\_\_\_\_\_(JRH-3) provides the calculation of the projected fuel  
20           component for the twelve-month period May, 2003 through April, 2004, as well as  
21           the Company's fuel rate recommendation. For the twelve months May, 2003  
22           through April, 2004 the base fuel cost is 1.780 cents per KWH, which includes  
23           .108 cents per KWH for the anticipated under collection.

1   **Q.   MR. HENDRIX, WHAT FUEL COMPONENT IS THE COMPANY PROPOSING**  
2       **IN THIS PROCEEDING?**

3   A.   The Company is proposing that the fuel component remain at 1.678 cents per  
4       KWH effective with the billing month of May, 2003 and continuing through the  
5       billing month of April, 2004.

6   **Q.   WHY IS THE COMPANY PROPOSING A FUEL COMPONENT THAT DOES**  
7       **NOT COLLECT THE UNDER RECOVERY OVER THE FORECAST PERIOD?**

8   A.   Within the forecast period, the Company will experience major scheduled  
9       maintenance and refueling outages at several of its generating units. These  
10      outages while prudent, nevertheless, will cause a short-term increase in the  
11      forecasted average fuel cost, as reflected in Exhibit No.\_\_\_\_\_(JRH-3). Given  
12      this fact and the current state of the economy, the Company believes it is in the  
13      best interest of our customers not to increase the fuel component of SCE&G's  
14      electric rates at this time.

15   **Q.   DOES THIS CONCLUDE YOUR TESTIMONY?**

16   A.   Yes.

## SOUTH CAROLINA ELECTRIC &amp; GAS COMPANY

## FUEL COSTS REPORT

LINE NO.		ACTUAL 2002 - 2003				OLD BASE FACTOR NEW BASE FACTOR		FORECAST 2003	
		NOVEMBER \$	DECEMBER \$	JANUARY \$	FEBRUARY \$	FEBRUARY \$	FEBRUARY \$	MARCH \$	APRIL \$
1.	TOTAL COST OF FOSSIL FUEL BURNED	13,817,559	15,612,494	23,544,519	18,728,066	18,019,684	23,856,000	21,764,000	
2.	NUCLEAR FUEL	2,515,059	2,597,190	2,600,049	2,352,389	2,352,389	2,450,000	2,365,000	
3.	PURCHASED AND INTERCHANGE POWER FUEL COSTS	8,374,278	10,189,126	9,231,979	8,238,948	8,238,948	3,221,000	2,693,000	
4.	FUEL RECOVERED THROUGH INTERSYSTEM SALES	924,743	911,239	2,132,458	1,420,871	1,420,871	223,000	199,000	
5.	TOTAL FUEL COSTS (LINES 1+2+3-4)	23,782,153	27,487,571	33,244,089	27,898,532	27,190,150	29,304,000	26,623,000	
6.	TOTAL SYSTEM SALES EXCLUDING INTERSYSTEM SALES (KWH)	1,633,410,294	1,836,548,327	1,907,532,603	1,835,330,941	1,835,330,941	1,636,000,000	1,636,000,000	
7.	FOSSIL FUEL COST PER KWH SALES	0.014560	0.014967	0.017428	0.015201	0.014815	0.017912	0.016273	
8.	LESS BASE COST PER KWH INCLUDED IN RATES	0.017220	0.017220	0.017220	0.017220	0.016780	0.016780	0.01678	
9.	FOSSIL FUEL ADJUSTMENT PER KWH	(0.00266)	(0.00225)	0.00021	(0.00202)	(0.00197)	0.00113	(0.00051)	
10.	OVER/UNDER RECOVERY REVENUE KWH	1,521,648,568	1,704,067,820	1,769,193,216	700,281,906	1,020,763,751	1,522,000,000	1,524,000,000	
11.	OVER/UNDER RECOVERY REVENUE	(4,047,585)	(3,834,153)	371,531	(1,414,569)	(2,010,905)	1,719,860	(777,240)	
12.	ADJUSTMENT	0	(11,690,956)	(380,283)	0	0	0	0	
13.	CUMULATIVE UNDER(OVER)\$44,885,479	40,837,894	25,312,785	25,304,033	*	21,878,559	23,598,419	22,821,179	

\*NOTE: THE OVER/UNDER RECOVERY REVENUE FOR FEBRUARY 2003 IS INCLUDED IN THE NEW BASE FUEL FACTOR COLUMN FOR FEBRUARY.

SOUTH CAROLINA ELECTRIC & GAS COMPANY  
FUEL COSTS REPORT

2003 FORECAST

LINE NO.	MAY \$	JUNE \$	JULY \$	AUGUST \$	SEPTEMBER \$	OCTOBER \$
1. TOTAL COST OF FOSSIL FUEL BURNED	23,666,000	26,784,000	29,112,000	29,292,000	23,541,000	20,471,000
2. NUCLEAR FUEL	2,447,000	2,344,000	2,422,000	2,422,000	2,344,000	1,422,000
3. PURCHASED AND INTERCHANGE POWER FUEL COSTS	6,445,000	8,174,000	10,069,000	9,556,000	7,656,000	9,775,000
4. FUEL RECOVERED THROUGH INTERSYSTEM SALES	2,159,000	1,918,000	1,056,000	1,226,000	2,187,000	105,000
5. TOTAL FUEL COSTS (LINES 1+2+3+4)	30,399,000	35,384,000	40,547,000	40,044,000	31,354,000	31,563,000
6. TOTAL SYSTEM SALES EXCLUDING INTERSYSTEM SALES (KWH)	1,751,000,000	2,013,000,000	2,249,000,000	2,248,000,000	2,152,000,000	1,768,000,000
7. FOSSIL FUEL COST PER KWH SALES	0.017361	0.017578	0.018029	0.017813	0.014570	0.017852
8. LESS BASE COST PER KWH INCLUDED IN RATES	0.016780	0.016780	0.016780	0.016780	0.016780	0.016780
9. FOSSIL FUEL ADJUSTMENT PER KWH	0.00058	0.00080	0.00125	0.00103	(0.00221)	0.00107
10. OVER/UNDER RECOVERY REVENUE KWH	1,625,000,000	1,871,000,000	2,091,000,000	2,096,000,000	2,028,000,000	1,661,000,000
11. OVER/UNDER RECOVERY REVENUE	942,500	1,496,800	2,613,750	2,158,880	(4,481,880)	1,777,270
12. ADJUSTMENT	0	0	0	0	0	0
13. CUMULATIVE UNDER(OVER) \$22,821,179	23,763,679	25,260,479	27,874,229	30,033,109	25,551,229	27,328,499

SOUTH CAROLINA ELECTRIC & GAS COMPANY  
FUEL COSTS REPORT

LINE NO.		2003 - 2004 FORECAST				
		NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH
		\$	\$	\$	\$	\$
1.	TOTAL COST OF FOSSIL FUEL BURNED	22,308,000	22,291,000	23,371,000	23,740,000	25,985,000
2.	NUCLEAR FUEL	77,000	2,296,000	2,296,000	2,146,000	2,296,000
3.	PURCHASED AND INTERCHANGE POWER FUEL COSTS	11,798,000	6,797,000	7,484,000	1,822,000	1,273,000
4.	FUEL RECOVERED THROUGH INTERSYSTEM SALES	122,000	4,199,000	3,524,000	1,345,000	2,199,000
5.	TOTAL FUEL COSTS (LINES 1+2+3+4)	34,061,000	27,185,000	29,627,000	26,363,000	27,355,000
6.	TOTAL SYSTEM SALES EXCLUDING INTERSYSTEM SALES (KWH)	1,636,000,000	1,753,000,000	1,908,000,000	1,789,000,000	1,669,000,000
7.	FOSSIL FUEL COST PER KWH SALES	0.020820	0.015508	0.015528	0.014736	0.016390
8.	LESS BASE COST PER KWH INCLUDED IN RATES	0.016780	0.016780	0.016780	0.016780	0.016780
9.	FOSSIL FUEL ADJUSTMENT PER KWH	0.00404	(0.00127)	(0.00125)	(0.00204)	(0.00233)
10.	OVER/UNDER RECOVERY REVENUE KWH	1,524,000,000	1,624,000,000	1,778,000,000	1,670,000,000	1,553,000,000
11.	OVER/UNDER RECOVERY REVENUE	6,156,960	(2,062,480)	(2,222,500)	(3,406,800)	(605,670)
12.	ADJUSTMENT	0	0	0	0	0
13.	CUMULATIVE UNDER(OVER) \$27,328,499	33,485,459	31,422,979	29,200,479	25,793,679	21,576,509

**SOUTH CAROLINA ELECTRIC & GAS COMPANY  
CALCULATION OF BASE FUEL COMPONENT**

**FORECAST  
MAY 03 - APR 04  
12 MONTHS**

**1. PROJECTED DATA:**

COST OF FUEL (\$000)	\$377,952
SYSTEM SALES (GWH)	22,602
AVERAGE COST (CENTS/KWH)	1.672

<b>2. (OVER)/UNDER COLLECTION (\$000) THROUGH APRIL 2003</b>	<b>\$22,821</b>
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SOUTH CAROLINA RETAIL SALES (GWH)	21,071
AVERAGE COST (CENTS/KWH)	0.108

**3. BASE COST (CENTS/KWH):**

PROJECTED FUEL COST	1.672
(OVER)/UNDER RECOVERY RATE	<u>0.108</u>
PROJECTED BASE FUEL COST	<u>1.780</u>

<b>4. COMPANY'S RECOMMENDED FUEL RATE (CENTS/KWH):</b>	<b><u>1.678</u></b>
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